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UNCLAS SECTION 01 OF 03 TAIPEI 001407

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SUBJECT: USCC MEETING WITH TAIWAN PRESIDENT MA YING-JEOU

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¶1. (SBU) Summary: Taiwan's key short-term goals in its relations with the United States are securing the approval of the pending package of weapons systems, obtaining public U.S. support for Taiwan's proposal on meaningful participation in UN specialized agencies and strengthening of bilateral commercial ties, preferably through an FTA, President Ma told visiting members of the U.S.-China Economic and Security Review Commission (USCC) during their August 22 meeting. Ma described his strategy for improving cross-Strait relations, building trust (and bolstering Taiwan's economy) by removing barriers to economic, commercial and cultural exchanges before moving on to the thornier political issues. The USCC members expressed concern about the danger of increased transfers of sensitive technologies that could result from increasing economic integration and investment. End summary.

Cross-Strait Tensions Down, U.S. Relations Improving

¶2. (SBU) Ma began the meeting by expressing appreciation for the Commission's work and by underscoring his goal of improving Taiwan's relations with the United States. His recent transits of the United States had gone well, Ma said, and U.S. officials had also expressed relief that his less confrontational policy toward China had reduced tensions in the region. Asked by USCC Vice Chair Bartholomew to identify specific things he hoped to achieve from closer U.S. ties, Ma listed approval of a pending request to sell Taiwan a package of defense items, support for his recently announced effort to secure meaningful participation in UN specialized agencies and eventual conclusion of a bilateral free trade agreement.

Pending Arms Sale a Key to Taiwan Defense

¶3. (SBU) Despite the improvement in relations with China, Ma said, he was acutely aware of the continuing military threat. He cited in particular the phenomenal growth in the size of the Chinese military budget and the enormous improvements in the quality and precision of PLA missiles targeting the island. It was therefore essential that Taiwan be prepared militarily to respond to this threat. While Ma dodged a request to prioritize the items on the pending notification, he did note the particular importance the Taiwan military placed on improving its C4ISR capabilities and the value of high-level contacts like (ret.) Adm. Blair's participation in the recent Hanguang exercise.

¶4. (SBU) At the same time, Ma added, Taiwan's response cannot be limited simply to buying more weapons, citing William Murray's article on Taiwan's defense strategy in the Summer

2008 edition of the Naval War College Journal. (Note: This article, which AIT forwarded to EAP/TC, argues that Taiwan should shift to an asymmetrical defense strategy that plays to its strengths as a defender.)

&Meaningful Participation" in Key UN Agencies

15. (SBU) Taiwan needed to have a voice in key international organizations, Ma emphasized. For example, he said, access to basic health information provided by the WHO was a question of fundamental human rights. Politically, he added, it would be impossible for him to ignore the will of the people of Taiwan, who felt strongly about the need to be treated with respect by the international community. That said, he was aware of the problems created by Taiwan's previous efforts to gain full membership in the UN and its specialized agencies. Instead, his administration had taken the concerns of the United States and others into account and was seeking only &meaningful participation8 in key agencies. While Taiwan did not expect the proposal submitted by its diplomatic allies on August 14 to be voted on at the UNGA, it was essential that the United States and others support it publicly. The real test would be in May of 2009, he said, when Taiwan's request for WHA observer status would once again be on the table.

FTA Would Address Critical Economic Worries

16. (SBU) While his efforts to reduce cross-Strait tensions

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had gotten the most attention outside of Taiwan, Ma said, people on the island were more interested in his ability to deliver on economics. He recounted how small textile mill owners in a remote corner of the island buttonholed him about their fears that the Korean free trade agreement (FTA) would put them out of business. That said, Ma recognized the difficulty in our system of getting FTA negotiations started at this time, and said Taiwan hoped also to pursue interim steps under the TIFA.

Removing Barriers to Cross-Strait Economic Ties

17. (SBU) Cross-Strait relations had entered a new phase in the three months since his inauguration, Ma told the delegation. He expressed optimism that his call for a diplomatic truce to what he termed &malignant competition8 between Taiwan and China over diplomatic recognition was achieving results. For example, Ma said, China had not responded positively to approaches by some of Taiwan's diplomatic allies considering recognizing the PRC. Maintaining the status quo was important to Taiwan, which now had only 23 diplomatic partners whereas China, recognized by 171 countries, did not need more allies.

18. (SBU) His first priority in the cross-Strait relations, however, was allowing closer economic integration with the mainland. China's initial response to Taiwan's new approach had generally been positive, Ma said, citing the inauguration of direct weekend charter passenger flights between Taiwan and the mainland, mainland Chinese tourist travel to Taiwan, his decision to legalize the exchange of renminbi on Taiwan and relaxation of investment controls. These were positive first steps, he said, and his government hoped to reach agreement soon to start daily charter flights and to eliminate the costly and time-consuming requirement that they fly through the Hong Kong FIR rather than directly from Taiwan to mainland destinations.

19. (SBU) Commissioner Shea expressed concern that the proposal to lift the cap on Taiwan investments in the mainland would leave the island increasingly vulnerable and could result in the transfer of sensitive technology. Ma

responded that his proposal to raise the investment ceiling to 60 percent would, and was intended to, encourage Taiwan investors to relist their companies on the Taiwan stock market. At present, he said, the cap forced many investors doing business in China to sever financial ties with Taiwan. Already, he added, seventeen companies had relisted on the Taiwan exchange.

¶10. (SBU) Taiwan also had concerns about technology transfer, Ma said, and had in place controls on sensitive and dual-use items in line with international regimes. Responding to Commissioner Mulloy's specific question about semiconductors, Ma noted that Taiwan also had to think of market share. For example, he said, Taiwan previously prohibited investors from producing 12 inch wafer chips in China. Now that U.S. manufacturer Intel was doing so, however, Taiwan had to consider the need to preserve market share in a sector critical to its economy.

Participants

¶11. (U) Taiwan:

President Ma Ying-jeou
National Security Advisor Su Chi
Deputy Minister of Foreign Affairs David Lin
MFA DG for North American Affairs Harry Tseng
MFA DDG for North American Affairs Douglas Hsu
MFA U.S. Desk Officer Hans Chiao

United States:

Carolyn Bartholomew, Vice Chair
Daniel Blumenthal, Commissioner
Peter Brookes, Commissioner
Jeffrey Fiedler, Commissioner
Patrick Mulloy, Commissioner
Dennis Shea, Commissioner
Daniel Slane, Commissioner
Scott Bunton, USCC Executive Director

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John Dotson, USCC Research Coordinator
Shannon Knight, Research Coordinator
Robert Wang, AIT A/DIR
Dave Rank, AIT Political Chief
Deanna Kim, AIT Political Officer

¶12. (U) The delegation has cleared this cable.
YOUNG